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**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Tim Gallagher, Director
Department of Parks and Recreation

FROM: J. Tyler McCauley *JTM*
Auditor-Controller

SUBJECT: **BONELLI RECREATION VEHICLE PARK CONCESSION REVIEW**

As requested, we have completed a review of the Concessionaire of the Bonelli Recreational Vehicle (RV) Park. The purpose of our review was to determine whether the Concessionaire is properly accounting for and reporting the gross receipts resulting from the operations of the RV Park.

SUMMARY OF FINDINGS

In summary, we found that the Concessionaire properly accounts for and reports gross receipts resulting from the operations of the RV Park. Our analysis of the Concessionaire's reported revenue showed that, between 1999 and 2001, revenues increased 15%. This upward trend is expected to continue in 2002 with projected revenue of \$3,438,000, a 2% increase over 2001. While the projected increase is lower than in prior years, based on our detailed review of the RV Park's revenue sources, the increase in projected revenue appears reasonable.

Although the Concessionaire properly accounts for collections received, the Department of Parks and Recreation (DPR) needs to review the appropriateness of the Concessionaire's policy for charging for storage space and for use of the recreation hall.

BACKGROUND/SCOPE

Each month, the Concessionaire prepares a statement showing the gross receipts for various revenue categories such as RV admission fees, storage space rentals, food and beverage sales, laundry services, and recreational hall rentals. The Concessionaire pays the County a monthly rental, based on the greater of a minimum monthly amount

or a percentage of gross receipts. There are various rental percentages for the different revenue categories.

Through the Auditor-Controller's master agreement, the County contracts with a CPA firm to perform revenue audits of DPR's concessionaires. Simpson and Simpson, CPAs, recently completed an audit of the RV Park covering the period from January 1, 1998 to December 31, 2001. The audit found that the Concessionaire properly reported revenues in all material respects.

Based on discussions with Simpson and Simpson and a review of their workpapers, we noted that their review focused on ensuring that revenues were properly reported once they are receipted for on the cash register. This included tracing amounts on cash register tapes to the general ledger; tracing general ledger amounts to bank deposits, sales tax returns, and income tax returns; and recalculating rental amounts paid to the County.

Since Simpson and Simpson did not perform tests to ensure that all collections are receipted for, we focused our testwork on ensuring that amounts collected are entered ("rung-up") in the cash register. As part of our review, we interviewed the RV Park's management and residents; reviewed rental agreements, cash register tapes, and revenue statements submitted to DPR; and analyzed the RV Park's concession revenues.

The details of our review are discussed below.

COMMENTS AND RECOMMENDATIONS

Concession Revenue Analysis

We reviewed the Concessionaire's reported revenue to determine if there has been a general increase in the amounts reported. The table below shows that the Concessionaire's revenue for each category has increased since 1999, with an overall increase of 15% between 1999 and 2001. In addition, total revenue from 1999 to 2001 has increased each year. This upward trend is expected to continue with 2002 revenue projected to increase 2% over 2001. Although the projected increase is lower than in prior years, we performed detailed testwork for each revenue source and determined that revenues had been properly reported. Therefore, the increase in projected revenue appears reasonable.

Bonelli Eastshore RV Park Revenue Reported for 1999 to 2002						
Category	Calendar Year			Actual increase % from 1999 to 2001	2002 (2)	Estimated 2002 % increase over 2001
	1999	2000	2001			
Admission fees (1)	\$2,495,851	\$2,685,583	\$2,884,399	16%	\$2,930,493	2%
Store Sales	\$ 275,544	\$ 299,308	\$ 316,761	15%	\$ 327,847	3%
Vending	\$ 31,686	\$ 34,064	\$ 39,160	24%	\$ 40,522	3%
Storage & Sewage Dump	\$ 113,920	\$ 122,195	\$ 127,542	12%	\$ 139,519	9%
Total	\$2,917,001	\$3,141,150	\$3,367,862	15%	\$3,438,381	2%
(1) Admission fees include RV space rentals, tent space rentals, utilities and cable.						
(2) Projected based on actual revenue reported through July 2002.						

RV Admission Fees

The Concessionaire reported approximately \$2.8 million in 2001 RV admission revenue for its 516 RV sites. Based on estimated occupancy rates and estimated average rental rates, we determined that the amount reported appears reasonable.

To determine whether all collections are being rung-up, we interviewed a sample of 27 residents who were in the park on July 24, 2002. We verified that each resident had a current rental agreement and that all collections indicated on these agreements were included on a cash register tape. Of the 27 residents interviewed, eight indicated that they have rented a space continuously for at least one year. For each of these sites, we verified that the Concessionaire had rental agreements covering the period from July 1, 2001 to July 24, 2002. Based on our testwork, RV admission fee revenue is being properly reported.

RV Storage

The Concessionaire operates storage lots for RVs. There are three lots with a total of 148 spaces, each with a monthly rental fee of \$75 a month. There are also 34 mini storage spaces with rental fees of \$50 or \$90 per month. On July 24th, we inventoried the rental spaces and found that 86% were occupied.

The Concessionaire reported average monthly revenue of approximately \$11,000 between January 1, 2001 and July 31, 2002. Based on the 86% occupancy rate and an average rental charge of \$73.57, we estimated monthly revenue at \$11,550. Therefore, the amounts reported by the Concessionaire appear reasonable.

We also selected a sample of 20 spaces that were occupied on July 24th. For the 20 spaces, we verified that a current rental agreement existed and that all payments, as

indicated on the agreements, were rung-up on the cash register. However, we noted that for two (10%) of the 20 spaces, the amount charged was only \$1 per month. The Park manager indicated that he allows good paying residents to keep their extra car or boat in storage to reduce cluttering the park. In order to maximize revenue to the County, DPR should work with the Concessionaire to establish a policy that addresses storage space rental charges to be paid by residents of the Bonelli RV Park.

Recommendation

- 1. DPR work with the Concessionaire to establish a policy that addresses storage space rental charges to be paid by the residents of Bonelli RV Park.**

Food and Liquor Sales

We reviewed the Concessionaire's gross profit percentage for reasonableness to help determine the accuracy of the Concessionaire's reported gross receipts from food and liquor sales. We contacted the State Board of Equalization to determine a benchmark gross profit margin. According to the State Board of Equalization, the Concessionaire's business activities matched closest to that of a liquor store, which typically has a gross profit percentage ranging from 26% to 31%. The Concessionaire reported food and liquor sales of \$317,000 in 2001. The Concessionaire's cost of sales, as indicated in their 2001 compiled financial statements, was \$225,000. This represents a gross profit margin on sales of 29%. Based on the State Board of Equalization's benchmark, the Concessionaire's gross profit margin appears reasonable.

In addition, we interviewed 27 residents of the RV Park to determine if the Concessionaire issued them a cash register receipt for all food and beverage purchases. Of the 27 residents, 18 (67%) stated they regularly make purchases from the store and, except for two instances, were always given a cash register receipt for their purchases. The remaining nine residents stated that they did not make any purchases from the store.

Based on the above, we conclude that the \$317,000 in 2001 food and liquor sales reported by the Concessionaire appears reasonable.

Coca Cola Commissions

The Concessionaire receives a commission from Coca Cola for vending machine sales. For the period July 1, 2001 through June 30, 2002, the Concessionaire reported commission revenue of \$159. We traced and agreed this amount to Coca Cola's quarterly commission statements. It appears that Coca Cola commissions are properly reported.

Laundry Revenue

The Concessionaire reported approximately \$40,000 in laundry revenue for 2001. In addition, based on revenue reported through July 31, 2002, we estimate that approximately \$40,000 will be reported for 2002. On July 24th, we observed the laundry room several times throughout the day and noted no more than two individuals in the room at the same time. In addition, only 2 (7%) of the 27 residents interviewed stated that they have ever used the laundry services. It appears that laundry revenue has been properly reported.

Recreation Hall

Based on our discussions with the manager of the RV Park, each resident is allowed to use the recreation hall for two free hours per week. Any usage over two hours is charged at \$50 per hour. He stated that if residents do not use their allotted hours, he allows them to accumulate the hours. Thus, if the resident has been in the park for four weeks, but has never used the hall, he would be entitled to eight free hours.

We obtained all recreation hall rental agreements from the Concessionaire for the period January 1, 2002 through July 20, 2002. Of the 13 agreements provided, five showed a total of \$860 collected. We traced all five collections to the cash register tapes.

Eight rental agreements did not show any amount collected. Of these, six were rented by RV residents. Two resident renters used the hall for two hours each and four used it for more than two hours each. The other two users were non-residents who used the hall a total of five hours. The Park manager stated that the non-resident users were not charged because they are prominent San Dimas residents.

In summary, we verified that all amounts collected for use of the recreation hall were rung-up on the cash register. However, it appears the decision to charge or not charge is at the discretion of RV Park management. In order to maximize revenue, DPR and the Concessionaire should develop a policy for use of the recreation hall.

Recommendation

- 2. DPR and the Concessionaire develop a policy for use of the recreation hall.**

We would like to thank DPR management and staff for their assistance during our review. If you have any questions, please contact me or your staff may contact DeWitt Roberts at (213) 974-0301.

JTM:DR:RD

c: Board of Supervisors
David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee